



# Town of Simsbury

933 HOPMEADOW STREET ~ SIMSBURY, CONNECTICUT 06070

**TOWN OF SIMSBURY**  
**DEFINED CONTRIBUTION PENSION PLANS INVESTMENT POLICY STATEMENT**  
*Adopted by the Board of Finance on May 18, 2021*  
*Previously Adopted by the Retirement Plan Sub-Committee in 2014*

## **I. Plan Description**

The Town of Simsbury sponsors the Simsbury 457/401 Plans (the "Plan") for the benefit of its employees. It is intended to provide eligible employees with the long-term accumulation of retirement savings through a combination of employee and employer contributions to individual participant accounts and the earnings thereon.

The Plan's participants and beneficiaries are expected to have different investment objectives, time horizons and risk tolerances. To meet these varying investment needs, participants and beneficiaries will be able to direct their account balances among a range of investment options to construct diversified portfolios that reasonably span the risk/return spectrum. Participants and beneficiaries alone bear the risk of the results from the investment options and asset mixes that they select.

## **II. Purpose of the Investment Policy Statement**

This investment policy statement is intended to assist the Plan's fiduciaries, who are charged with making investment-related decisions for the plan in a prudent manner. It outlines the underlying philosophies and processes for the selection, monitoring and evaluation of the investment categories and investment options utilized by the Plan. Specifically, this Investment Policy Statement:

- Defines the Plan's investment objectives
- Defines the roles of those responsible for the Plan's investments
- Describes the criteria and procedures for selecting investment categories and investment options
- Establishes investment performance measurement standards and monitoring procedures
- Describes methods for addressing investments that fail to satisfy established objectives

This Investment Policy Statement will be reviewed periodically, and, if appropriate, can be amended as needed.

## **III. Investment Objective**

The following criteria may be considered when choosing a menu of investment options:

- The menu of investment options should represent a broad range that allows for

participant choice among various asset classes and investment styles.

- Investment options should have varying degrees of risk and potential for return.
- Investment options should have returns that are competitive in the marketplace when compared to appropriate benchmarks.
- Investment options should have total expense ratios that are competitive in the marketplace.

These are not necessarily the only criteria that may be considered.

#### **IV. Assignment of Responsibilities**

The parties responsible for the management and administration of the Plan include:

1. The Town of Simsbury Retirement Plan Sub-Committee, (the "Committee") which is responsible for:
  - Recommending the Investment Policy Statement
  - Recommending investment options
  - Periodically evaluating the Plan's investment performance and recommending investment option changes
2. The Town of Simsbury Board of Finance, (the "Board") which is responsible for:
  - Approving and maintaining the Investment Policy Statement
  - Selecting investment options
  - Periodically evaluating the Plan's investment performance and selecting investment option changes
  - Approving the continuation of business relationships with investment managers, custodians, and other vendors, if any
3. The Plan's Administrator is responsible for day to day administration of the plan **in accordance with paragraph 2 above. The Town Manager or his/her designee is responsible for serving as the Plan's Administrator.**
4. The Plan's Trustee, who is responsible for holding and investing plan assets in accordance with the terms of the Trust Agreement. The Finance Director or his/her designee is responsible for serving as the Plan's Trustee.
5. The Investment Managers of the Plan options, who are responsible for making reasonable investment decisions consistent with the stated approach as described by prospectus and reporting investment results on a regular basis.
6. The Plan Record keeper, who is responsible for maintaining and updating individual account balances as well as information regarding plan contributions, withdrawals and distributions.

At the Board of Finance's discretion, the services of an investment consultant may be utilized to assist the Committee, Board, Town Manager and Finance Director with any of the following, including, without limitation: Investment policy development, fund menu

construction, fund analysis and recommendations, performance monitoring, and employee education.

## **V. Selection of Investments**

Set forth below are the considerations and guidelines employed in selection of investment options:

The Plan intends to provide a broad range of investment options that will span a risk/return spectrum. Further, the Plan's investment options will allow Plan participants to construct portfolios consistent with their unique individual circumstances, goals, time horizons and tolerance for risk.

After determining the asset classes to be used, the Board must evaluate and select investment options. Each investment option should be managed by a prudent expert that meets certain minimum criteria:

- Be a bank, insurance company, mutual fund company, or investment adviser registered under the Registered Investment Advisers Act of 1940.
- Be operating in good standing with regulators and clients.
- Provide qualitative and quantitative information on the history of the firm, its investment philosophy and approach, and other relevant information.

Assuming the minimum criteria are met, additional factors that may be considered include:

- Results compared to an appropriate, style-specific benchmark and peer group.
- Adherence to stated investment objective.
- Fees compared to similar investments in the marketplace.
- Availability of relevant information in a timely fashion.

## **VI. Investment Monitoring and Reporting**

The Committee will periodically review the investment options in the Plan. Investment options that no longer accept participant and/or employer contributions and cannot be removed from the Plan due to contractual limitations and where participants have been notified of this will not be monitored by the Committee. Performance monitoring is the mechanism for revisiting the investment option selection process and confirming that the criteria originally satisfied remain intact and that an investment option continues to be an appropriate offering. While frequent change is neither expected nor desirable, the process of monitoring investment performance relative to specified guidelines is an on-going process.

Monitoring should occur on a periodic basis. The monitoring process may utilize the same criteria that formed the basis of the investment selection decision; however, these are not the only criteria that may be considered. In addition, a set of "watch list criteria" may be employed to track important quantitative and qualitative elements, assist in the evaluation process, and focus the Committee on potential areas of concern.

Watch list criteria may include the following:

- Results versus benchmark over a specified period of time
- Deterioration of risk-adjusted performance
- Notable style drift / change in investment objective
- Expense ratio versus category average
- Significant organizational or manager change

## **VII. Termination of an Investment Option**

An investment option may be terminated when the Board, in consultation with the Committee, has lost confidence in the manager's ability to:

- Achieve investment objectives,
- Comply with investment guidelines,
- Comply with reporting requirements, or
- Maintain a stable organization and retain key relevant investment professionals.

There are no hard and fast rules for termination. However, if the investment option has consistently failed to adhere to one or more of the above conditions, failure to remedy the circumstances of unsatisfactory performance, within a reasonable time, may be grounds for termination.

Any recommendation to terminate an investment option will be treated on an individual basis, and will not be made solely based on quantitative data. In addition to those above, other factors may include professional or client turnover, or material change to investment processes. Considerable judgment must be exercised in the termination decision process.

An investment option to be terminated shall be removed using one of the following approaches:

- Remove and replace (map assets) to an alternative comparable option,
- Freeze assets in the terminated option and direct new assets to a replacement option,
- Phase out the option over a specific time period,
- Remove the option and do not provide a replacement option, or
- A reasonable solution that may be determined at the time of termination.

The process for selecting a replacement for a terminated investment option may follow the criteria outlined in Part V, Selection of Investments.

## **VIII. Participant Education and Communication**

The Plan will communicate to employees that:

- They control their own investments,
- Investment changes are permitted on a daily basis and may be subject to

- individual investment option requirements,
- Educational materials allowing employees to make informed decisions are readily available.

#### **IX. Coordination with the Plan Document**

If any term or condition of this investment policy conflicts with any term or condition in the Plan Document, the terms and conditions of the Plan Document shall control.

#### **X. Approval**

It is understood that this investment policy is to be reviewed periodically by the Retirement Plan Sub-Committee and the Board of Finance to determine if any revisions are warranted by changing circumstances including, but not limited to, changes in financial status, risk tolerance, or changes involving the investment managers. The Retirement Plan Sub-Committee will make recommendations to the Board of Finance. The Board of Finance has the authority to officially adopt, revise, or rescind this Policy in consultation with the Board of Education and Selectmen.